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Mr. A. R. Hanson
I-41

January 15th, 1965.

Mr. Everett Bristol, Q. C.,
335 Bay Street,
Toronto.

Dear Mr. Bristol:-

Our Director of Economic Studies has indeed received copies of your correspondence with the Honourable Leslie Frost and with the Honourable Robert Macaulay, and a copy of the Department of Economics Memorandum thereon, concerning proposals for a Municipal or Provincial Capital Gains Tax on Real Estate (including a look at the companion area of unearned increase in rentals) and a system of fixed assessment from a "deadline" date.

It has been our practice to acknowledge the receipt of research material through our Secretary but due to an oversight on our part, your suggestions reached our research people directly without acknowledgement to you for which I am sorry.

You may be interested in noting in Appendix II to Information Bulletin, No. 3, published by our Commissioners, that Item E (39) on the Research Program Studies is a Municipal Capital Gains on Real Property Tax, and that Item B (20) concerns Assessment of Property. Your thoughts are, therefore, "on target" in relation to our Study Program, and I am pleased that Mr. Clarkson arranged for your material to be forwarded to us.

Yours very truly,

F. H. K.

Executive Director.

cc. Mr. S. W. Clarkson,
Deputy Minister,
Department of Economics and
Development,
950 Yonge Street,
Toronto 5.

(Enclosure)

I-41

October 12, 1960

The Honourable Leslie Frost, Q.C., M.L.A.,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Prime Minister:

One of the great problems of the municipalities and the Province is where to find the money to finance the necessary expansion of highways, parks, schools, hospitals and other public buildings and facilities without imposing prohibitive burdens on their respective taxpayers. Additional grants from the Dominion for such purposes can only come out of the taxpayers of Canada and chiefly from those in Ontario.

I am venturing to suggest as an important source of revenue available to the Provinces, and strictly justified upon every moral and democratic ground, that they should establish a tax on what might be termed the unearned increment in the value of land which has been so particularly noticeable in the post-war years.

In other words, it is right and proper that the increase in value of land created by the growth of a community and by the expenditure of public monies to provide highways and other public facilities should not accrue solely to the owner of the land.

Undoubtedly the owner should be entitled on resale to the full amount of his investment in buildings and improvements (less depreciation) together with a reasonable but limited capital gain as a reward for his contribution in developing

his land - say 25% of the increment or increase in value. The balance should go to the community which, in effect, created it, - the municipality or the Province or both.

However, there should be exempted from such increment tax all one-family dwellings of a value not exceeding, say, $15,000 because, apart from other reasons, the nuisance and administrative expense involved would not be worthwhile.

The machinery to enforce and collect such an increment tax is already in existence. Under the Land Transfer Tax Act no transfer of title can be recorded without an affidavit of the vendor or the purchaser setting out the actual consideration on the sale. If such information were implemented by periodical affidavits of the owner detailing actual costs of any improvements he makes as well as any buildings removed or destroyed, all information would be on record in order to assess and collect the increment tax on a re-sale.

Another difficult problem of the municipalities and the Province is the high cost of land upon expropriation for public purposes. You, of course, are familiar with this situation and I will only mention a few examples in recent years:-

1) February, 1958, City of Toronto expropriated 12,290 square feet in Dundas Square for municipal parking and paid $331,000 for this property which cost the owner $80,000 in 1948.

2) October, 1959, Toronto Parking Authority paid for five small properties on Roehampton Avenue $280,000 or 8 times the assessed value.

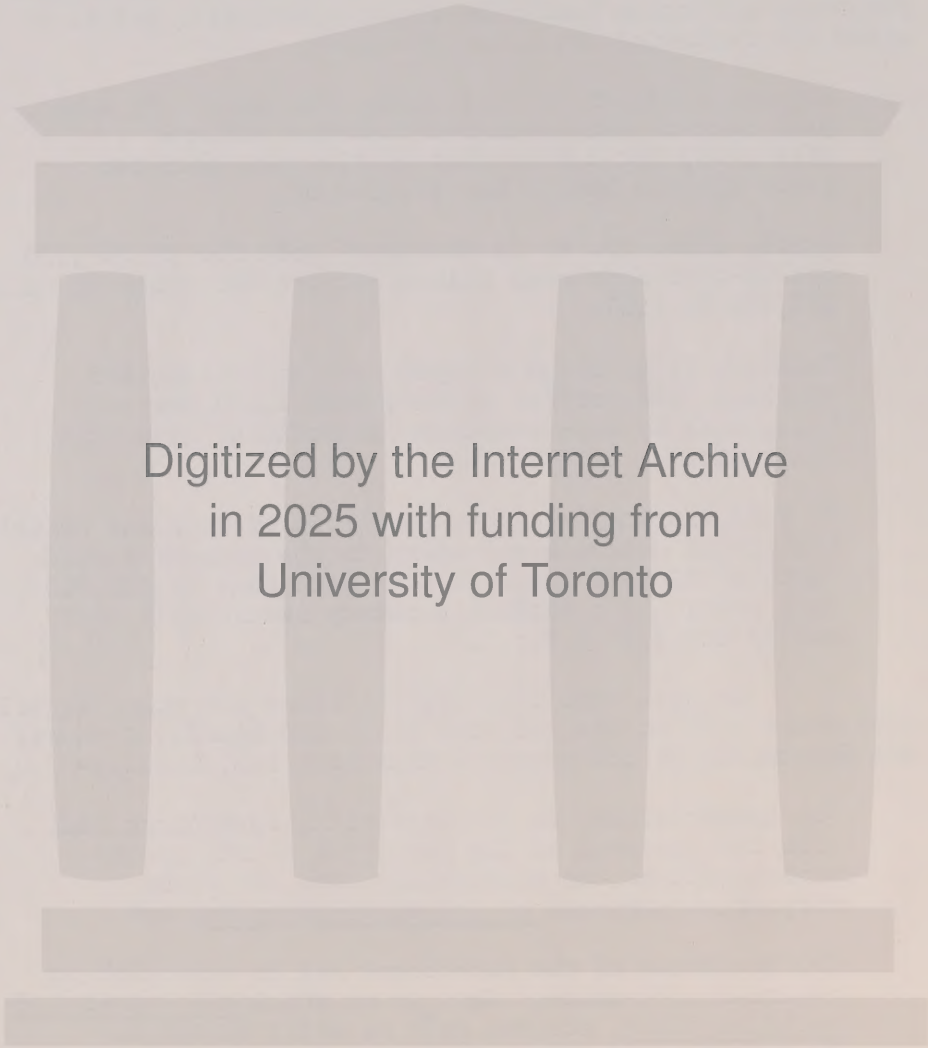
3) November, 1959, Metropolitan Toronto expropriated a 200 ft. strip crossing farm lands for an extension of the Don Valley Parkway. The arbitrator, County Judge Forsyth, awarded $461,947 being at the rate of $15,000 per acre. (re Lowry and Metro Toronto).

Another angle of this problem is the way the price of land around Metro Toronto and other growing communities has been tremendously increased by speculative purchases and sales resulting in some fantastic prices of which the following are a few examples:

> August, 1954, Mr. Murray Bosley, Realtor - "I have paid farmers Three Hundred Thousand Dollars ($300,000) for a farm that little more than ten years ago was bought for $20,000.00.
>
> April, 1956, Mr. W. F. Morrissey sold for $1,100,000 his 98-acre farm near Malton Airport for which he paid $32,000 in 1951.
>
> October, 1958, Judge Forsyth upon an arbitration hearing: "The profits of more than 1,000 per cent being made by sub-developers of Bathurst Manor are fantastic."
>
> On this hearing Mr. James L. Morris of Mann and Martel Ltd giving evidence on prices in the same area said "Lots of 50 feet frontage have been sold at $10,000 this year. Lots without sanitary sewers sell quite easily for $100 a foot".

To deal with this problem there are other legislative means open to the province which are equally ad moral and democratic as the proposed increment tax, namely:-

> (a) Authorization to the Provincial Government and, with the approval of the Municipal Board, to the municipalities, to expropriate land for their respective purposes <u>at its assessed value</u>; and
>
> (b) Amendment of the Assessment Act to establish an advanced or 'deadline' date as of which <u>all assessments would be fixed</u>, subject only to being raised or lowered in accordance with prices on subsequent sales, and in accordance with subsequent additions to, or removal or destruction of buildings and fixtures on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the land as shown in affidavits filed in the proper Registry or Land Titles Office as above suggested.

The legislation to authorize expropriation at assessed value should, of course, only become effective after the 'deadline' date so as to give opportunity to landowners in the interval to appeal to have their assessments lowered or raised. This would encourage owners of land now assessed at figures below actual market value to appeal to have them raised, otherwise they would stand to lose considerably on expropriation or, by reason of the increment tax, on private sale.

Land owners would thus have to decide, before the 'deadline' date, whether to appeal to raise their assessments (which should be permitted up to actual value), or to stand pat or appeal to reduce them with a view to keeping down annual taxes. As it is probable the majority would seek to raise rather than reduce their assessments, the municipalities would thus gain in increased annual taxes even if the amounts of increment tax accruing to them on subsequent sales were not so great.

As things now are, slum areas in Toronto and other big cities may be and frequently are profitable because as the buildings age and lose value the owners can have their assessments and taxes reduced. This tends to prolong in use properties which from a social and moral point-of-view might better be expropriated, the buildings demolished, and the property re-developed, - for low cost housing like Regent Park in Toronto, or for parks or other public purposes. The present system of assessment and taxation also tends to perpetuate many obsolete buildings and even when they are demolished, the lands are frequently used as parking lots or service stations at low assessments in the expectation of later capital gains through increased land values. These low-tax areas in the heart of cities and towns further complicate$ their financial difficulties.

Under a system of fixed assessments at the 'deadline' date, to be raised or lowered only in accordance

with sworn statements filed as to sales, improvements, additions to, or removal and destruction of, buildings, every land-owner would know just where he stood and could plan for the future accordingly. This system would also obviate the necessity and expense of annual or periodic assessments, and would considerably reduce the staff and cost of assessment departments in the municipalities. The budget of the City of Toronto Department used to be well over One Million Dollars a year and no doubt that of the present Metro Department is larger. A great deal of this would be saved.

It is difficult to envisage real objections to the proposal for fixed assessments, - except perhaps from employees of Municipal Assessment departments whose jobs might be jeopardized, - but with regard to the proposed increment tax, there would no doubt be complaints raised that:-

A. The Province and Municipalities would take most of the benefit if values go up while only the owners would lose if values go down; and

B. Investment in and development of land would be discouraged.

As to A, The answer is that every land owner will have the chance to have his assessment fixed as of the 'deadline' date at whatever figure the property is really worth, and that only the land speculators and high profit developers will be penalized. The wage earners, skilled artisans, and low-salaried clerical workers owning their own small houses of under $15,000 sale value, would be exempt from increment tax.

As to B. It is not the honest builders or developers satisfied with a reasonable profit who would be discouraged, but only the speculative profiteers, And they should be discouraged since it is their activities which have pushed up to astronomic figures the values of land around all our growing cities and towns, with a consequent permanent

burden on these communities in the shape of high rents, retarded and expensive development, etc.

Objectors on both points can be shortly answered by pointing out that the persons and companies who buy land for use rather than for capital gain, are the ones to be protected and they are unaffected by and, I believe, would welcome these proposals.

For all these reasons, I sincerely think these proposals deserve serious consideration by you and your government as offering increased revenues for the Province and the Municipalities, eliminating costly arbitrations on expropriations and the excessive awards usually given therein, and opening the way at reasonable cost for development around the fringes of cities and towns, and of redevelopment of slums and run-down areas inside, to provide much-needed low cost housing, parks, playgrounds and other facilities.

I have not submitted these ideas or proposals to any other person nor to any newspaper or periodical, and I trust you will believe me in saying that I have no axe to grind in presenting them to you as the distinguished head of our party and of the Government of this Province.

With best regards.

Yours sincerely,

F. B. Eustace

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1) Clarkson - Ack
2) Have dr'sluded T-41

EVERETT BRISTOL, Q.C.
335 BAY STREET
TORONTO, CANADA

October 3, 1963

The Honourable Robt. W. Macaulay, Q.C., M.L.A.,
Minister of Economics, Developments and Municipal Affairs,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Macaulay:

I am writing you not only as the son of my old friend and classmate, but because you have shown refreshing qualities of independent thought and action in your political career.

In October and November, 1960, I had some correspondence with the then Premier, the Honourable Leslie Frost, in which I put forward certain proposals which I thought and still think would provide an important source of revenue to the Province and the Municipalities and other benefits. I enclose copies of the letters exchanged between myself and Mr. Frost which speak for themselves.

In effect, I proposed:

(i) a tax on the capital gain on resale of land to the extent only that such gain results from the growth of the community and the expenditure of public money, and without touching any part of the increase in value created by the landowners' expenditures on buildings and improvements;

(ii) in relation to this, a method of controlling the high cost to provinces and municipalities in the expropriation of lands for their respective purposes.